



Community Economic Betterment Account

Annual Report

FISCAL YEAR 2006

July 2005 - June 2006

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Executive Summary

FY 2006 CEBA Annual Report

The purpose of the Community Economic Betterment Account is to increase the employment opportunities for Iowans by stimulating economic activity in the state. The program provides loans and forgivable loans to companies that require funding to create new jobs and retain existing jobs that are in jeopardy of being lost to the state.

Applications are submitted by cities, counties or community colleges on behalf of businesses that are expanding, starting up new operations, or relocating all or part of their operations to Iowa from outside the state.

Generally, CEBA funds may be used for the acquisition of land and/or buildings, building construction or renovation, purchasing machinery and equipment, and permanent working capital needs. The CEBA program also contains a modernization project component. This part of the program is specifically designed for businesses investing in machinery and equipment and/or technology upgrades to improve or maintain their competitive edge in their respective markets.

Additionally, the program may provide Comprehensive Management Assistance (CMA) to businesses involved with the program. CMA is provided in the form of technical or professional assistance, often by consultants contracted by the department and used by the business to develop inventory and financial controls, marketing plans, management skills, and other business capabilities.

During the 2006 Fiscal Year, the Community Economic Betterment Account (CEBA) program continued to take significant actions to improve the quality of the jobs being impacted, upgrade the management review process, provide a clearer picture of the return on public money and continue the financial viability of the program.

Companies receiving CEBA funds were required to pay at least 100% of the county average wage or 100% of the regional average wage, whichever was lower. For CEBA projects funded with IVF dollars, 130% of the county average wage plus benefits was required. Companies applying for funds were also required to submit data for a Public Return on Investment Calculation which is now part of the review process for applications. The process uses the Iowa Economic Impact Model, which was developed for the Iowa Department of Economic Development by an advisory group of economists from both the public and the private sectors. The Iowa model is the first of its kind and a work in progress that is being updated and improved as more data becomes available, and as actual figures replace estimates.

The CEBA program receives funds from the Iowa Values Fund to make project awards. These funds were used by the IDED for projects along with loan repayments from previous projects. The CEBA program has not received a separate legislative appropriation since FY 2003.

Using this new funding source, the Iowa Department of Economic Development awarded \$9.6 million during FY 2006 for the expansion of 24 existing Iowa companies, the start-up of six companies and the recruitment of three companies. The projects are expected to create and retain 1,894 jobs with an average wage of \$22.89 per hour, plus benefits. Fringe benefit packages associated with the CEBA jobs typically include health insurance and other important employee benefits such as dental and life insurance, retirement, 401K accounts and profit sharing plans.

Statistical Summary, FY 2006

The following is a summary of the information presented in the forthcoming table, which reviews the awards for FY 2006:

Of the 33 awards:

- 24 awards (73%) were to existing businesses expanding in Iowa;
- 6 awards (18%) were to businesses relocating all or a portion of the company to Iowa;
- 3 awards (9%) were to entrepreneurs starting new businesses in Iowa;
- 7 awards, totaling approximately \$2.9 million, were to businesses in communities with less than 10,000 in population;
- 26 awards, totaling approximately \$6.7 million, were to communities with more than 10,000 in population;
- 33 businesses pledged to retain 982 jobs and to create 912 jobs;
- The average hourly wage for pledged jobs was \$22.89 per hour;
- \$9.6 million of CEBA funding has leveraged over \$389 million in other investments in Iowa businesses.

CEBA-Summary Statistics (FY 2006)

ANALYSIS BY BUSINESS TYPE AND PERFORMANCE OF JOB ATTAINMENT				
	Expansion	Start-up	Recruitment	Total
# Awards	24	6	3	33
\$'s Awarded	\$7,945,000	\$1,200,000	\$475,000	\$9,620,000
Jobs to be Retained	970	12	0	982
Jobs to be Created	685	140	87	912
Total Pledged Jobs	1,655	152	87	1,894
Leveraged Funds	\$330,312,754	\$32,680,809	\$26,469,500	\$389,463,063

ANALYSIS BY POPULATION						
	Under 2,500	2,500 - 5,000	5 - 10,000	10 - 50,000	Over 50,000	Total
# Awards	1	1	5	11	15	33
\$'s Awarded	\$63,000	\$100,000	\$2,770,000	\$2,352,000	\$4,335,000	\$9,620,000
% Population	22.55%	9.35%	12.80%	21.75%	33.55%	100.00%
% of # Awards	3.03%	3.03%	15.15%	33.33%	45.45%	100.00%
% of \$'s Awarded	0.65%	1.04%	28.79%	24.45%	45.06%	100.00%
Jobs to be Retained	0	0	513	201	268	982
Jobs to be Created	20	11	609	129	143	912
Total Pledged Jobs	20	11	1,122	330	411	1,894
Leveraged Funds	\$3,234,050	\$1,520,000	\$175,277,696	\$168,211,048	\$41,220,269	\$389,463,063

ANALYSIS BY AWARD TYPE		
	Number*	\$'s Awarded
Grants	0	\$0
Loans	28	\$4,667,500
Buydowns	0	\$0
Forgivable Loans	32	\$4,952,500
Other	0	\$0
* 27 projects were a combination of award types.		

CEBA PROJECT LIST - FISCAL YEAR 2006

Applicant	Business	Award Date	Award Amount	Award Type	To Create	To Retain
Des Moines	Meredith Corporation	7/21/2005	\$300,000	FL/L	69	0
Urbandale	MortgageHub Inc. *	7/21/2005	\$150,000	FL/L	23	0
Council Bluffs	Walsworth Publishing Company	7/21/2005	\$500,000	FL/L	183	0
Ames	Advanced Analytical Technologies, Inc. *	8/18/2005	\$1,000,000	FL/L	45	2
Ames	BioForce Nanosciences, Inc. *	8/18/2005	\$500,000	FL/L	24	12
Bettendorf	Sivyer Steel Corporation *	8/18/2005	\$100,000	FL/L	11	0
Urbandale	C & L Companies, Inc. aka Pivot Works *	9/15/2005	\$60,000	FL/L	6	0
Urbandale	Infrastructure Solutions, Inc. *	9/15/2005	\$180,000	FL/L	18	4
Iowa City	Loparex, Inc. *	9/15/2005	\$75,000	FL	9	6
Mason City	LXI Enterprise Storage, Inc. *	9/15/2005	\$250,000	L	24	0
Bettendorf	Bee Line Company *	10/20/2005	\$72,000	FL/L	0	10
West Des Moines	Briggs Medical Service Company *	10/20/2005	\$500,000	FL/L	0	87
Des Moines	Hershey Systems, Inc. *	10/20/2005	\$400,000	FL/L	70	0
Spencer	Kolman Conveyor Company, Inc. *	10/20/2005	\$300,000	FL	15	0
Waukee	Quebecor World *	10/20/2005	\$445,000	FL/L	52	10
Davenport	TMT Manufacturing, L.L.C. *	10/20/2005	\$100,000	FL/L	19	0
Altoona	LBC Technology *	11/17/2005	\$100,000	FL/L	7	0
West Des Moines	Metropolitan Life Insurance Company	11/17/2005	\$450,000	FL/L	23	201
Coralville	National Genecular Institute, Inc. *	11/17/2005	\$60,000	FL/L	12	0
Davenport	Nestle Purina PetCare *	11/17/2005	\$235,000	FL/L	0	10
Orange City	Pizza Ranch, Inc. *	11/17/2005	\$75,000	FL/L	16	0
Keokuk	Roquette America, Inc. *	1/19/2006	\$1,000,000	FL/L	0	187
Le Mars	Harker's Distribution, Inc.	2/16/2006	\$1,000,000	FL/L	0	241
Iowa City	Procter and Gamble Hair Care LLC *	2/16/2006	\$200,000	FL	40	40
Dubuque	Sedgwick Claims Management Services, Inc.	3/16/2006	\$150,000	FL/L	40	0
Benton County	Frontier Natural Products Co-Op d/b/a Frontier Cooperative Herbs *	4/20/2006	\$63,000	FL/L	20	0
Dubuque	Kunkel, Bounds & Associates, Inc. *	4/20/2006	\$75,000	FL/L	23	0
Dubuque County	Namasco Corporation *	4/20/2006	\$400,000	FL/L	0	109
Waterloo	ConAgra Foods Packaged Foods Company, Inc. *	5/18/2006	\$150,000	FL	47	0
Ankeny	Embria Health Sciences, LLC *	5/18/2006	\$140,000	FL/L	16	0
Burlington	Tjaden Biosciences, LLC *	5/18/2006	\$40,000	FL	8	0
Sioux Center	Harbor Group/Interstates Companies *	6/20/2006	\$250,000	FL/L	30	15
Davenport	PCT Engineered Systems, LLC *	6/20/2006	\$300,000	FL/L	62	48
Total	33		\$9,620,000		912	982

* IVF funded projects

Statistical Summary, May 1986 - June 2006

The following is a summary of the information presented in the forthcoming table, which reviews the awards from program inception.

Of the 752 total awards:

- 541 awards (72%) were to existing businesses expanding in Iowa;
- 116 awards (15%) were to entrepreneurs starting new businesses in Iowa;
- 95 awards (13%) were to businesses relocating all or a portion of the company to Iowa;
- 398 awards, totaling \$59.9 million, were to businesses in communities with less than 10,000 in population;
- 354 awards, totaling \$75.1 million, were to communities with more than 10,000 in population;
- 752 businesses pledged to retain 23,695 jobs and create 39,841 jobs;
- \$135 million of CEBA funding has leveraged over \$4.1 billion in other investments in Iowa businesses.

CEBA-Summary Statistics (May 1986 - June 2006)

ANALYSIS BY BUSINESS TYPE AND PERFORMANCE OF JOB ATTAINMENT				
	Expansion	Start-up	Recruitment	Total
# Awards	541	116	95	752
\$'s Awarded	\$99,241,344	\$14,046,552	\$21,693,700	\$134,981,596
Jobs to be Retained	22,610	440	645	23,695
Jobs to be Created	25,582	5,378	8,881	39,841
Total Pledged Jobs	48,192	5,818	9,526	63,536
Leveraged Funds	\$2,653,519,230	\$310,399,500	\$1,152,521,929	\$4,116,440,659

ANALYSIS BY POPULATION						
	Under 2,500	2,500 - 5,000	5 - 10,000	10 - 50,000	Over 50,000	Total
# Awards	146	134	118	157	197	752
\$'s Awarded	\$18,703,130	\$18,091,428	\$23,088,698	\$31,595,590	\$43,502,750	\$134,981,596
% Population	22.55%	9.35%	12.80%	21.75%	33.55%	100.00%
% of # Awards	19.41%	17.82%	15.69%	20.88%	26.20%	100.00%
% of \$'s Awarded	13.86%	13.40%	17.11%	23.41%	32.23%	100.00%
Jobs to be Retained	1,925	2,888	9,368	5,769	3,745	23,695
Jobs to be Created	6,110	5,398	14,268	8,491	5,574	39,841
Total Pledged Jobs	8,035	8,286	23,636	14,260	9,319	63,536
Leveraged Funds	\$681,765,266	\$377,685,636	\$1,413,790,084	\$1,111,867,983	\$531,331,690	\$4,116,440,659

ANALYSIS BY AWARD TYPE		
	Number*	\$'s Awarded
Grants	71	\$9,907,956
Loans	427	\$45,690,957
Buydowns	6	\$535,500
Forgivable Loans	523	\$78,072,183
Other	3	\$775,000
* 278 projects were a combination of award types.		

CEBA ECONOMIC IMPACT SUMMARY

Since 1986, 646 businesses have reached the end of the project period and have yielded the following results:

Number of Projects:	646
Dollars Awarded:	\$108,188,596
Jobs Pledged:	56,048
Jobs Attained:	49,976
Success Rate:	89.2%
*Est. Annual State Income Tax:	\$60,135,121
(Based on an average wage of \$11.57 per hour)	

During FY 2006, 33 projects yielded the following figures:

Number of Projects:	33
Dollars Awarded:	\$9,620,000
Jobs Pledged:	1,894
*Est. Annual State Income Tax:	\$4,508,781
(Based on an average wage of \$22.89 per hour)	

* Estimated Effective Tax Rate is 5% SOURCE: Iowa Department of Revenue and Finance

Conclusion: CEBA investments are repaid in slightly over two years from the state income tax payments generated by the pledged jobs leveraged in the individual projects.

PROGRAM AUTHORIZATION

The Community Economic Betterment Account (CEBA) is part of the Strategic Investment Fund Code (15.311-15.313) and is authorized under Iowa Code sections 15.315-15.320. In FY '06 an appropriation was not made by the General Assembly. The repayment of loans, transfer of funds from SF 2311 (an act relating to appropriations for economic development purposes), a small amount of unused administration funds, and the recapture of funds from projects that did not proceed, enabled the program to provide the following assistance:

CEBA Program Allocation FY 2006

Total CEBA funds awarded:	\$ 9,620,000
Administrative Costs:	\$ 685,000
Comprehensive Management Assistance:	\$ 45,000
Total Expenditures:	\$10,350,000